

Message Text

CONFIDENTIAL

PAGE 01 SAN SA 02912 221818Z

64

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 ABF-01 FS-01

IGA-02 AGR-20 DRC-01 /187 W
----- 080113

R 221730Z JUL 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 6023

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN SALVADOR 2912

E.O. 11652 - GDS

TAGS: EFIN, ES

SUBJECT: SALVADORAN FOREIGN EXCHANGE RESERVES/POSSIBLE
DEVALUATION

REF: SAN SALVADOR 2905

GUATEMALA ALSO FOR ROCAP

1. LATE JULY 20 EMBOFF HAD OPPORTUNITY TO DISCUSS FOREIGN
EXCHANGE SITUATION AND RUMORED DEVALUATION (DISCUSSED
IN REFTEL) WITH BCR PRESIDENT SUAREZ. HE CONFIRMED A SIGNIFICANT
RUN ON RESERVES IN JUNE AND JULY BUT DOGMATICALLY SQUELCHED
ANY POSSIBILITY OF A DEVALUATION. HE SAID HE HAD JUST ARRANGED
SHORT-TERM FOREIGN BORROWINGS OF \$27 MILLION THAT WOULD BE EFFEC-
TIVE JULY 22, BUT HE SAW NO REASON TO EVER TOUCH THOSE FUNDS.
HE SAID THAT DESPITE THE \$15 MILLION LOAN FROM THE CHICAGO BANK
RECEIVED IN JUNE RESERVES AT THE MOMENT WERE AT 140 MILLION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAN SA 02912 221818Z

COLONES (\$56 MILLION). PT SAID HE WAS NOT CONCERNED FOR 1974

SINCE, AS HE PUT IT, "THE IMPORT AND EXPORT CURVES WERE REVERSED THIS YEAR, WITH HIGHEST IMPORTS IN THE EARLY MONTHS DUE TO CONTINUED PRICE/SUPPLY HEDGING ON RAW MATERIALS AND NORMAL EARLY-YEAR COFFEE AND COTTON EXPORTS DEFERRED DUE TO SHIPPING AND COTTON CONTRACT PROBLEMS". HE BELIEVED THAT WITH INCREASED COFFEE SHIPMENTS AND RESOLUTION OF THE COTTON CONTRACT PROBLEM AN UNSEASONAL INCREASE IN RESERVES WOULD OCCUR SOON. HE ALSO SAID ADDITIONAL RESERVE-PROTECTING MEASURES COULD BE EXPECTED SOON. A PROPOSED INCREASE IN INTEREST RATES SHOULD ALSO CURB IMPORTS.

2. EMBASSY SEES A LOT OF MERIT IN SUREZ'S VIEW AND INTERPRETS HIS ACTION AS ONE CONSISTENT WITH THE TRADITIONAL CONSERVATIVE POSITION OF THE BCR IN MAINTAINING AS CLOSE TO TWO MONTHS' IMPORT COVERAGE AS POSSIBLE. ONE SOURCE OF THE LATEST SHORT TERM FINANCING IS THE MANUFACTURERS HANOVER TRUST, WHICH ARRANGED A LOAN OF \$15 MILLION FOR 180 DAYS AT 1 PERCENT OVER LONDON JULY 19 (WORKS OUT TO ABOUT 15 PERCENT). WE CONTINUE TO BELIEVE THAT A DEVALUATION FOR REASONS OF FOREIGN RESERVES IS NOT JUSTIFIED AND THAT A DEVALUATION FOR ANY REASON IS NOT TO BE EXPECTED IN THE NEAR FUTURE. CAMPBELL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESIDENT, FOREIGN EXCHANGE HOLDINGS, DEVALUATION RUMORS, DIPLOMATIC DISCUSSIONS, BANKS, BANK LOANS, COLON (CURRENCY)
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANSAA02912
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740197-1121
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740728/aaaaayaw.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: SAN SALVADOR 2905
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2002 by boyleja>; APPROVED <19 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SALVADORAN FOREIGN EXCHANGE RESERVES/POSSIBLE DEVALUATION
TAGS: EFIN, ES, CENTRAL BANK RESERVES (BCR)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005